

# **GREATER TZANEEN MUNICIPALITY**

**LIMPOPO PROVINCE**



## **POST AUDIT ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**AFS Rounding : To the nearest R1**



# **GREATER TZANEEN MUNICIPALITY**

## **CONTACT INFORMATION**

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# GREATER TZANEEN MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS : 2009/2010

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## **GENERAL INFORMATION**

**Mayor:** Alderman O.J. Mushwana

### **Members of the Executive Committee:**

Alderman O.J. Mushwana  
Councillor M.N. Mboweni  
Councillor T.P. Ramatsoma  
Councillor J.K. Ngobeni  
Councillor M.M. Makhuthudise  
Councillor R.R. Selomo  
Councillor B.G. Baloyi  
Councillor F.N. Makurupetse  
Councillor S.M. Maunatlala  
Councillor M.L. Ncha - Speaker  
Councillor J.H. Nkwinika - Chief whip

### **Members of the Audit Committee:**

Mr. M.J. Malatji	Chairperson
Mr. O.J.O. Groenewald	Member
Ms. R.M. Phasha	Member
Mr. T.C. Modipane	Member

### **Banker:**

ABSA  
TZANEEN  
0850

**Municipal Manager:** Mabakane F. Mangena

**Chief Financial Officer:** Andre J J Le Grange

**Grading of Greater Tzannen Municipality :** Grade 4

## GENERAL INFORMATION (CONTINUES)

<b>Physical Address</b>	Greater Tzaneen Municipality Agatha Street Civic Centre Tzaneen 0850
<b>Postal Address</b>	Greater Tzaneen Municipality PO Box 24 Tzaneen 0850
<b>Telephone Number</b>	015 307 8000
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<b>E-Mail Address</b>	mabakane.mangena@tzaneen.gov.za

# **ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 June 2010**

## **APPROVAL OF FINANCIAL STATEMENTS**

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 41 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 23 of these financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

I have complied with the disclosure requirements in terms of section 122 to 126 of the Municipal Finance Management Act.



**M.F. MANGENA**  
**MUNICIPAL MANAGER**

**DATE: 31 AUGUST 2010**

**GREATER TZANEEN MUNICIPALITY**  
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

	NOTE	2010 R	2009 R
<b>COMMUNITY WEALTH AND LIABILITIES</b>			
Accumulated Surplus /(Deficit)		1,370,854,264	1,422,526,531
<b>LIABILITIES</b>		<b>216,368,436</b>	<b>147,410,589</b>
<b>Non-Current liabilities</b>		<b>83,944,099</b>	<b>46,390,089</b>
Borrowings	1	46,451,304	43,335,805
Non- current Provisions	4	33,023,445	1,962,096
Financial lease liability	2	4,469,350	1,092,188
<b>Current liabilities</b>		<b>132,424,337</b>	<b>101,020,500</b>
Consumer deposits	3	6,658,556	6,152,859
Provisions	5	1,845,782	1,547,258
Accounts Payable	6	90,251,762	66,335,840
VAT Payable	7	6,232,587	-1,664,036
Unspent Conditional Grants and Receipts	8	21,677,942	26,812,982
Bank, cash and overdraft balances	16	4,159,424	0
Current portion of long-term borrowings	1	1,598,284	1,835,597
<b>Total Net Assets and Liabilities</b>		<b>1,587,222,700</b>	<b>1,569,937,120</b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>1,467,173,369</b>	<b>1,479,051,436</b>
Property, plant and equipment	9	1,449,245,834	1,453,151,538
Held-to-maturity Investments	10	17,927,535	25,865,349
Non-current receivables	11	0	34,549
<b>Current assets</b>		<b>120,049,331</b>	<b>90,885,684</b>
Inventory	12	8,518,617	8,160,133
Receivables	13	38,634,477	38,703,873
Other receivables	15	70,439,627	43,357,898
Current portion of long-term receivables	11	2,456,610	406,695
Cash and cash equivalents	16	0	257,085
<b>Total Assets</b>		<b>1,587,222,700</b>	<b>1,569,937,120</b>

# GREATER TZANEEN MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30th JUNE 2010

	NOTE	ACTUAL	
		2010	2009
REVENUE		R	R
Property rates	17	36,309,586	27,734,237
Property rates - penalties imposed and collection charges		2,902,462	1,737,196
Service charges	18	219,760,736	185,593,762
Rental of facilities and equipment		1,072,738	442,383
Interest earned - external investments		2,144,762	3,679,040
Interest earned - outstanding receivables		9,188,053	6,004,714
Fines		862,821	852,479
Licences and permits		376,846	355,202
Income for agency services		10,307,858	9,108,870
Government grants and subsidies	19	178,774,116	121,498,729
Other income	20	11,673,275	3,428,504
Public contributions, donated and contributed property, plant & equipment			0
		473,373,253	360,435,116
<b>EXPENDITURE</b>			
Employee related costs	21	102,415,113	62,431,964
Remuneration of Councillors	22	14,723,432	14,108,421
Bad debts		32,993,337	13,554,457
Collection costs		820,138	852,088
Loss on Inventory		-48,799	-2,216
Depreciation		88,045,172	16,370,693
Repairs and maintenance	23	77,541,280	68,921,527
Finance cost	24	7,096,748	9,182,224
Impairment of assets		0	16,863
Bulk purchases	25	125,623,411	93,161,971
Contracted services	26	25,217,455	19,936,805
Grants and subsidies paid	27	32,272,604	10,190,509
General expenses	28	33,366,693	26,103,064
<b>Total Expenditure</b>		540,066,584	334,828,370
Gain/(loss) on sale of assets	31	440,920	0
<b>NET SURPLUS / (DEFICIT) FOR THE YEAR</b>		-67,134,251	25,606,746



**GREATER TZANEEN MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30**

	Accumulated Surplus/ (Deficit)
	R
<b>2009</b>	
<b>Balance at 30 June 2008</b>	<u>155,072,766</u>
Changes in accounting policy	
Correction of prior period error	1,241,066,254
<b>Restated balance</b>	<u>1,396,139,020</u>
Surplus/(Deficit) on revaluation of PPE	
Other items	
Transfers to / from accumulated surplus/(deficit)	
Surplus/(deficit) for the period	25,827,195
<b>Balance at 30 June 2009</b>	<u>1,421,966,215</u>
Surplus/(deficit) on revaluation of PPE	
Other items	-547,360
Transfers to / from accumulated surplus/(deficit)	1,107,676
Surplus/(deficit) for the period	
<b>Balance at 30 JUNE 2009</b>	<u>1,422,526,531</u>
<b>2010</b>	
	Accumulated Surplus/ (Deficit)
<b>Balance at 30 June 2008</b>	<u>1,422,526,531</u>
Changes in accounting policy	
Correction of prior period error 2008	
Correction of prior period error 2009	
<b>Restated balance</b>	<u>1,422,526,531</u>
Surplus/(Deficit) on revaluation of PPE	
Other items	81,780,588
Transfers to / from accumulated surplus/(deficit)	
Surplus/(deficit) for the period	-67,134,251
<b>Balance at 30 June</b>	<u>1,437,172,868</u>
Surplus/(deficit) on revaluation of PPE	
Other items	547,360
Transfers to / from accumulated surplus/(deficit)	-66,865,964
Surplus/(deficit) for the period	
<b>Balance at 30 JUNE 2010</b>	<u>1,370,854,264</u>

**GREATER TZANEEN MUNICIPALITY**  
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	2010 R	2009 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		445,920,000	338,997,482
Cash paid to suppliers and employees		-381,282,659	-268,250,786
Cash generated from operations	32	64,637,341	70,746,696
Interest received		11,332,815	9,683,754
Interest paid		-7,096,748	-9,182,224
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>68,873,408</b>	<b>71,248,226</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		-84,646,163	-54,626,953
Proceeds on disposal of property plant & equipment		0	0
Increase/(Decrease) in non-current receivables		34,549	3,227,789
Increase/(Decrease) in non current investments		7,937,814	-4,207,284
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>-76,673,800</b>	<b>-55,606,448</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New loans raised / (repaid)		2,878,186	-1,903,258
Increase in consumer deposits		505,697	-586,370
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>3,383,883</b>	<b>-2,489,628</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>-4,416,509</b>	<b>13,152,150</b>
Cash and cash equivalents at the beginning of the year		257,085	-12,895,065
Cash and cash equivalents at the end of the year	17	-4,159,424	257,085

# GREATER TZANEEN MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

The principal accounting policies adopted in the preparation of these financial statements are set out below and are consistent with those of the previous financial year.

### 1 BASIS OF ACCOUNTING

#### 1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise.

The Annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

#### 1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African rand, which is the functional currency of the municipality.

#### 1.3 GOING CONCERN ASSUMPTION

The annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months. (Refer to note 14 for management's assessment of going concern.)

#### 1.4 COMPARATIVE INFORMATION

##### 1.4.1 Current Year Comparatives

Budgeted amounts have been included in the annual financial statements for the current financial year only.

##### 1.4.2 Prior Year Comparatives

When the presentation or classification of items in the annual financial statements are amended, prior period comparative amounts are reclassified.

#### 1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but not yet effective and have not been adopted early by the municipality:

GRAP 8 Interests in Joint Ventures - issued August 2006

GRAP 18 Segment Reporting - issued March 2005

GRAP 21 Impairment of non-cash generating assets

GRAP 23 Revenue from Non-Exchange Transactions, Taxes and Transfers - issued February 2003

GRAP 24 Presentation of Budget information in Financial Statements - issued November 2007

GRAP 26 Impairment of cash generating assets

GRAP 103 Heritage Assets - issued July 2008

### 2 PROPERTY, PLANT AND EQUIPMENT

#### 2.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary cost of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the asset on the date acquired.

- 2.2 Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, then it is regarded as repairs and maintenance and is expensed. The enhancement of an existing asset so that its use is expanded or the further development of an asset so that its original life is extended are examples of subsequent expenditure which should be capitalised.

## 2.3 Depreciation and impairment losses

- 2.3.1 Depreciation is calculated on cost using the straight-line method, over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated useful lives:

A more appropriate useful life can also be motivated by the department purchasing the asset and the useful life is approved by the Financial Manager.

INFRASTRUCTURE	YEARS
Roads and Paving	30
Pedestrian Paths	30
Electricity	20 - 30
Water	15 - 20
Sewerage	15 - 20
Housing	30
<b>COMMUNITY</b>	
Improvements	30
Recreational Facilities	20 - 30
Security	5
<b>OTHER</b>	
Buildings	30
Specialist Vehicles	10
Other Vehicles	5
Office Equipment	3 - 7
Furniture and fittings	7 - 10
Watercraft	15
Bins and containers	5
Specialised plant and equipment	10 - 15
Other items of plant and equipment	2 - 5

- 2.3.2 Heritage assets, which are defined as culturally significant resources, are not depreciated as they are regarded as having an indefinite life. Land is also not depreciated for the same reason.

- 2.3.3 Incomplete construction work is stated at historic cost. Depreciation only commences when the asset is commissioned into use.

## 2.4 Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## 3 Intangible Assets

### 3.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale,
- it is technically feasible to complete the intangible asset,
- the municipality has the resources to complete the project, and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

### 3.2 Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

### 3.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer Software - 3 Years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

## 4 FINANCIAL INSTRUMENTS

### 4.1 Initial Recognition

Financial Instruments are initially recognised at fair value.

### 4.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ('other'). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

#### 4.2.1 Investments

Investments, which may include listed government bonds, unlisted municipal bonds, fixed deposits, and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument.

#### 4.2.2 Trade and other Receivables

Trade and other receivables are categorised as financial assets. Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on all outstanding amounts of 120 days and longer at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue), are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current. The carrying amount of trade and other receivables is a reasonable approximation of fair value.

An impairment of receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited recognised under other income.

#### **4.2.3 Trade Payables and Borrowings**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

### **4 FINANCIAL INSTRUMENT**

#### **4.2 Subsequent Measurement**

##### **4.2.4 Cash and Cash Equivalents**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

### **5 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **6 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **7 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **8 PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### **9 LEASES**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayments using effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

Property, plant and equipment subject to finance lease agreements are capitalised at their cash equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life.

## 10 REVENUE RECOGNITION

### 10.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered, goods sold, the value of which approximates the consideration received or receivable.

10.1.1 Revenue arising from the application of the approved tariff of changes is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

10.1.2 Service charges relating to Electricity and Water are based on consumption. Meters are read on a monthly basis and revenue is recognized when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognized as revenue in the invoicing period.

10.1.3 Service charges relating to solid waste, sanitation and sewerage are levied monthly in terms of the approved tariffs.

10.1.4 Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield on the investment.

10.1.5 Dividends are recognized when the Municipality's right to receive payment is established.

10.1.6 Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

- ▷ The Municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- ▷ The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- ▷ The amount of revenue can be measured reliably.
- ▷ It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.

### 10.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

10.2.1 Revenue from rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Interest on unpaid rates is recognized on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable.

The same rate is charged to all categories. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10.2.2 Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

10.2.3 Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income liability is recognised.

10.2.4 Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

10.2.5 Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

## 11 INVENTORIES

Inventories consist of raw materials, work in progress, consumables and finished goods which are valued at the lower of cost, determined on the first in, first out method and net realisable value. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Redundant and slow moving inventories are identified and written down with regard to their cost. Consumables are written down according to their age, condition and utility.

Stands available for sale during the next 12 months are recognised as inventory.

## 12 CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with all of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. The liability is transferred to revenue as and when the conditions attached to the grants are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

## 13 SEGMENTAL INFORMATION

Segmental information on Property, Plant and Equipment as well as income and expenditure is set out in Appendix C and D based on the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

## 14 VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payment basis.

## 15 EMPLOYEES BENEFITS

### 15.1 Retirement Funds

The Municipality provides retirement benefits for its Employees and Councillors. The contribution to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

### 15.2 Medical Aid: Continued Members

The Municipality provides post retirement benefits by subsidising the medical aid contribution of certain retired staff. According to the rules of the medical aid funds with which the Municipality is associated, a member (who is on the current conditions of service) on retirement is entitled to remain a continued member of such medical aid fund in which case the member is liable for 50% of the medical aid membership fee and the Municipality for the remaining 50%.

These contributions are charged to the operating account when paid.

### 15.3 Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. Accrual is based on the total accrued leave days at year-end.



## 16 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset, irrespective of whether there is any indication of impairment; the municipality also

- test intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit. 22/4

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

## 1 BORROWINGS

	2010	2009
Local Registered Stock Loans		10,292,000
Annuity Loans	91,617	567,409
Annuity Loan INCA	21,357,971	22,711,993
Sinking Fund ABSA	11,600,000	11,600,000
DBSA Local Registered Stock Loan	15,000,000	
Subtotal	48,049,588	45,171,402
Less: Current portion transferred to current liabilities	1,696,384	1,835,697
Annuity Loans	69,611	48,576
Annuity Loan INCA	1,526,663	1,354,121
	46,451,304	43,335,805

### Total External Loans

Refer to Appendix A for more detail on long-term liabilities

### Local Registered Stock

An investment of R1,800,000.00 has been made with Liberty to repay the loan of R10,292,000 on maturity date. This loan bore interest on a variable rate and the loan was repaid during this financial year.

### Annuity Loans

Bear interest at rates between 0% and 16.15% per annum and will be fully redeemed on 31 December 2010.

### Annuity Loans INCA

Bear interest at a rate of 12.5% per annum and will be fully redeemed on 31 December 2018.

This loan has been taken up to finance the purchase of land.

### Excelsior 1000 Investment

An investment of R855,619 has been made with Liberty to repay a loan of R15 million on maturity date. The loan bears interest on variable rate and the value of the investment amounts to R1,809,149.

### Sinking Fund

An investment of R6,982,292 has been made with BOE to repay a loan of R20,000,000 on maturity date. The loan bears interest on a variable rate and the value of the investment amounts to R10,118,386. The BOE investment has been ceded to ABSA.

None of the loans are secured by any fixed or movable asset of the Greater Tzaneen Municipality.

## 2 FINANCE LEASE LIABILITY

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payment R
30 June 2010			
Within one year	2,881,807		2,269,408
Within two to five years	2,407,835		2,140,942
	5,289,642	57,529	4,409,350
Less Amount due for settlement within 12 months			0
			4,409,350

The lease terms are between 3 years and 5 years. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and others escalate. No arrangement has been entered into for contingent rent obligations under finance leases are secured by the lessor's title to the leased assets.

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payment R
30 June 2009			
Within one year	2 666 781		1 888 470
Within two to five years	3 503 550		3 048 218
	<u>6 170 331</u>	<u>1 048 495</u>	<u>4 936 688</u>
Less Amount due for settlement within 12 months			<u>0</u>
			<u><u>1,092,188</u></u>

The lease terms are between 3 years and 5 years. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and others escalate. No arrangement has been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased assets.

	2010 R	2009 R
3 CONSUMER DEPOSITS		
Water & Electricity	6,658,556	6,152,859
<b>Total Consumer Deposits</b>	<u><b>6,658,556</b></u>	<u><b>6,152,859</b></u>
 <b>Guarantees held in lieu of Electricity and Water Deposits</b>	<u><b>2,897,230</b></u>	<u><b>3,100,000</b></u>

#### 4 NON-CURRENT PROVISIONS

Non-current provision	<u>33,023,445</u>	<u>1,962,096</u>
Provision for rehabilitation of landfill site	<u>2,158,305</u>	<u>1,962,096</u>
Balance at beginning of the year	1,962,096	0
Contributions to provision	<u>196,209</u>	<u>1,962,096</u>
<b>Balance at end of the year</b>	<u><b>2,158,305</b></u>	<u><b>1,962,096</b></u>

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation discounted at 10% over an average period of 20 years. The due date of this provision is June 2027.

Provision for long service awards	<u>4,299,221</u>	<u>0</u>
Current service cost	548,082	
Interest cost	323,376	
Actuarial gain, loss recognised in P&L	<u>243,590</u>	
Net periodic cost recognised in P&L	<u>1,115,048</u>	<u>0</u>
Expected employer benefit vestings	<u>-719,794</u>	
Transitional liability recognised outside P&L	<u>3,903,967</u>	<u>0</u>
<b>Closing Balance</b>	<u><b>4,299,221</b></u>	<u><b>0</b></u>

Long service awards relates to the legal obligation to provide for long service leave awards. An actuarial valuation has been performed on all 653 employees that are entitled to long service leave awards on 30 June 2010. The long service leave awards liability is not a funded arrangement. No separate assets have been set aside to meet this liability.

Provision for post-employment health care benefits	<u>26,565,919</u>	<u>0</u>
Current service cost	1,618,573	
Interest cost	2,249,829	
Actuarial (gain) loss recognised in P&L	-1,718,930	
Net periodic cost recognised in P&L	<u>2,149,472</u>	<u>0</u>
Expected employer benefit payments	-767,480	
Transitional liability recognised outside P&L	25,183,927	
<b>Closing Balance</b>	<u><b>26,565,919</b></u>	<u><b>0</b></u>

The post-employment health care benefits valuation considers all employees retired employees and their dependants who participate in the health care arrangements and are entitled to a post-employment medical scheme subsidy. The post-employment health care liability is not a funded arrangement i.e. no separate assets have been set aside to meet this liability. The effective date of the valuation is 30 June 2010.

Summary of the eligible in-service membership (Post-employment health care benefits)

	Female	Male	Total
Number of principal members	115	146	261
Average age	37.8	44.0	41.3
Average past service	6.9	8.4	7.7
Average no. of dependants	1.5	1.7	1.6

Summary of continuation membership (Post-employment health care benefit)

	Female	male	Total
Number of principal members	17	20	37
Average age of members	67.9	69.5	68.3
Average no. of dependants	0.2	0.8	0.5
Average employer contribution	R 1,652	R 2,564	R 2,145

In-service members will receive a post-employment subsidy of 60% of the contribution payable. Continuation members receive either a 60% subsidy or a 70% subsidy. Upon a member's death-in-service or death-in-retirement the surviving dependants will continue to receive the same percentage subsidy.

Summary of the key financial assumptions (Post-employment health care)

Assumption	Value p.a.
Discount rate	9.22%
Health care cost inflation rate	7.27%
Net effective discount rate	1.92%

	2010	2009
5 CURRENT PROVISIONS	R	R
Performance bonus	<u>1,845,782</u>	<u>1,547,258</u>
	<u><b>1,845,782</b></u>	<u><b>1,547,258</b></u>

Performance bonuses accrue to Section 57 Managers and HODs on annual basis subject to certain conditions. The provision is an estimate of the amount due at the reporting date to staff.

Performance bonuses are paid one year in arrears as the assessment of eligible employees had not taken place at the end of the reporting period.

	<u>Performance Bonus</u>	<u>Performance Bonus</u>
Balance at beginning of year	1,547,258	3,180,367
Performance bonuses paid	-42,632	-2,132,549
Contributions to provision	341,156	499,740
<b>Balance at the end of year</b>	<b><u>1,845,782</u></b>	<b><u>1,547,258</u></b>

#### 6 ACCOUNTS PAYABLE

Trade creditors	70,474,666	49,978,967
Payments received in advance	3,498,329	4,882,521
13th Cheque	3,225,779	1,455,619
Staff leave	4,399,414	3,255,998
Retention	6,187,509	4,484,282
Unknown direct deposits	2,327,165	1,761,710
Other creditors	138,900	516,743
<b>Total Creditors</b>	<b><u>90,251,762</u></b>	<b><u>66,335,840</u></b>

#### 7 VAT

Net VAT payables	<b><u>6,232,587</u></b>	<b><u>-1,664,036</u></b>
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VAT is payable on the payments basis. Only once payments are received from debtors and payments made to suppliers is VAT paid over to SARS.

#### 8 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

<i>Conditional Grants from other spheres of Government</i>	<b>21,677,942</b>	<b>26,812,982</b>
Finance Management Support	17,380	739,302
DP Donations	0	0
Municipal System Upgrade	0	0
Grants RSC & Other	21,660,562	26,073,680
<b>Total Conditional Grants and Receipts</b>	<b><u>21,677,942</u></b>	<b><u>26,812,982</u></b>

LEAVE FOR PPE NOTE

GREATER TZANEEN MUNICIPALITY  
PROPERTY, PLANT AND EQUIPMENT

	ACCUMULATED DEPRECIATION									
	OPENING BALANCE	ADDITIONS	DISPOSALS	TRANSFER TO OTHER DEPARTMENTS	CLOSING BALANCE	OPENING BALANCE	ADDITIONS	DISPOSALS	CLOSING BALANCE	CARRYING VALUE
2016										
Cost										
Under construction										
2016										
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# 10 INVESTMENTS

2010

2009

R

R

## Unlisted

### Held-to-maturity investments

Fixed Deposits	17,927,535	25,865,349
Total Cash investments	<u>17,927,535</u>	<u>25,865,349</u>

### Councils' valuation of unlisted investments

Liberty	1,809,149	838,756
BOE Sinking Fund	16,118,386	14,509,615
Liberty		10,516,978
	<u>17,927,535</u>	<u>25,865,349</u>

Investments have been made for the redemption of long-term loan liabilities.  
Refer to note 1 for more detail on long-term loans.

# 11 LONG-TERM RECEIVABLES

Other Loans	4,835,412	5,077,014
Electrical Connection	469	35,549
Stand Loans	2,456,141	2,292,921
Other Debtors (El Gondor)	966,205	1,416,205
Debtor Arrangements	1,412,597	1,332,339
LESS: Current portion transferred to current receivable	<u>2,456,610</u>	<u>406,695</u>
Other Loans	2,456,610	406,695
Electrical Connection	469	1,000
Stand Loans	2,456,141	405,695
Debtor Arrangements		
Less: Provision for bad debt	<u>2,378,802</u>	<u>4,635,770</u>
Total	<u>0</u>	<u>34,549</u>

### Reconciliation of provision for bad debt

Balance at beginning of year	4,635,770	1,268,255
Contributions to provision	-2,083,030	3,367,615
Bad debts written off	-173,937	
Balance at end of year	<u>2,378,803</u>	<u>4,635,870</u>

# LOANS TO STAFF AND THE PUBLIC

To comply with the requirements of the MFMA no loan has been made after 1 March 2004.

## OTHER LOANS

### Electricity Connection

To encourage tenants to connect to the electricity service, a subsidy of 50% per connection were granted to finance the cost to consumers, with interest rates between 20% and 21%. These loans are repayable over a maximum period of five years and were granted before the implementation of the MFMA.

### Stand Loans

Loans were made to enable people to purchase stands from Council. These loans are repayable over 6 years at a fixed interest rate of 18%.

### Debtor Arrangements

Short-term debt repayment arrangements are engaged in to enable debtors to pay outstanding consumer accounts.

# 12 INVENTORY

2010

2009

R

R

Consumable stores	8,033,617	7,639,133
Water	0	0
Stands	485,000	522,000
Total Inventory	<u>8,518,617</u>	<u>8,160,133</u>

Water inventory is only calculated on water in the reservoirs

### 13 RECEIVABLES

As at 30 June 2010

	Gross Balance R	Provision for Bad Debts R	Net Balance R
Service debtors			
Rates	36,522,302	28,227,014	8 295 288
Electricity	35,381,080	9,829,912	25,551 168
Water			0
Sewer			0
Refuse	24,814,922	20,026,901	4 788,021
<b>Total</b>	<b>96,718,304</b>	<b>58,083,827</b>	<b>38,634,477</b>

	Gross Balance R	Provision for Bad Debts R	Net Balance R
2009			
Service debtors			
Rates	29 595 066	18,444 201	11 150 865
Electricity	28 182 539	6 917 119	21 265,420
Water			0
Sewer			0
Refuse	19 770 802	13,483 214	6 287 588
<b>Total</b>	<b>77,548,407</b>	<b>38,844,534</b>	<b>38,703,873</b>

	2010 R	2009 R
<b>Rates: Ageing</b>		
Current 0 - 30 days	3,277,351	7 973 819
31 - 60 Days	1,619,835	1 122 070
61 - 90 Days	1,208,682	1 222,106
91 - 120 Days	1,179,467	832 369
121 Days and longer	29,236,967	18,444,201
<b>Total</b>	<b>36,522,302</b>	<b>29,595,065</b>

	2010 R	2009 R
<b>Electricity: Ageing</b>		
Current 0 - 30 Days	18,646,734	18 793 307
31 - 60 Days	3,707 279	1 289 210
61 - 90 Days	1,542,913	749,519
91 - 120 Days	935,139	333 384
121 Days and longer	10,549,015	6 917 119
Payments made in advance		
<b>Total</b>	<b>35,381,080</b>	<b>28,182,539</b>

	2010 R	2009 R
<b>Refuse removal: Ageing</b>		
Current 0 - 30 Days	1,746,909	4 517 593
31 - 60 Days	963,226	647 353
61 - 90 Days	725,568	570 028
91 - 120 Days	693,530	552 615
121 Days and longer	20 685,689	13,483 214
<b>Total</b>	<b>24,814,922</b>	<b>19,770,803</b>

	2010 R	2009 R
<b>Water: Ageing</b>		
Current 0 - 30 Days		
31 - 60 Days		
61 - 90 Days		
91 - 120 Days		
121 Days and longer		
Indigent charge & Development cost		
<b>Total</b>	<b>0</b>	<b>0</b>

	2010 R	2009 R
<b>Sewerage: Ageing</b>		
Current 0 - 30 Days		
31 - 60 Days		
61 - 90 Days		
91 - 120 Days		
121 Days and longer		
<b>Total</b>	<b>0</b>	<b>0</b>



#### 14 RECONCILIATION OF DOUBTFUL DEBT PROVISION

Balance at beginning of the year	38,844,534	31 392,410
Contributions to provision	23,543 378	7 452 124
Doubtful debts written off against provision	-4,304 085	
Balance at end of year	<u>58,083,827</u>	<u>38 844,534</u>

The fair value of trade and other receivables approximates their carrying

#### 15 OTHER RECEIVABLES

	2010 R	2009 R
Other debtors	86,623,709	56 781 615
Payments made in advance	3,498 329	4 882 521
Bursary Loans	397 268	631 886
Deposit Petrol	9,808	9 808
Year end debtors	46,563,449	23,679,801
Other	36,154 855	27 577 599
Less Provision for bad debt	16,184,082	13 423,717
<b>Total Other Debtors</b>	<u>70,439,627</u>	<u>43,357,898</u>

	2010 R	2009 R
<b>Reconciliation of provision for bad debt</b>		
Balance at beginning of year	13,423,717	9 908 440
Contributions, Reversal to provision	3 725,227	3 515 277
Bad debts written off	-964,862	
<b>Balance at end of year</b>	<u>16,184,082</u>	<u>13,423,717</u>

#### 16 BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts:

##### Current bank account ( Primary bank account)

ABSA Bank - Tzaneen Branch  
Account number - 1260850527

Cash book balance at beginning of year	257 085	-12 395 065
Cash book balance at end of year	-4 159,424	157 085

##### EFF Bank Acc

ABSA Bank - Tzaneen Branch  
Account number - 4056018122

Bank statement balance at beginning of year	62,925	63 325
Bank statement balance at end of year	941	62 925

##### AFF Bank Acc

ABSA Bank - Tzaneen Branch  
Account number - 4056017980

Bank statement balance at beginning of year	4,765	4 747
Bank statement balance at end of year	941	4 765

##### Rates & General

ABSA Bank - Tzaneen Branch  
Account number - 4051444332

Bank statement balance at beginning of year	0	0
Bank statement balance at end of year	0	0

##### Grants Account

ABSA Bank - Tzaneen Branch  
Account number - 9093767307

Bank statement balance at beginning of year	247,680	1 142 759
Bank statement balance at end of year	8 308	247 680

ABSA Bank - Tzaneen Branch  
Account number - 4056018237

Bank statement balance at beginning of year	24 711	24 836
Bank statement balance at end of year	941	24 711

ABSA Bank - Tzaneen Branch  
Account number - 4048964222

Bank statement balance at beginning of year	1,791,037	12 922 652
Bank statement balance at end of year	1,668 841	1 791 037

ABSA Bank - Tzaneen Branch  
Account number - 9081974990

Cash book balance at beginning of year	10,612	10 346
Cash book balance at end of year	19	10 612

## 17 PROPERTY RATES

	2010 R	2009 R
<b>Actual</b>		
Residential	13,920 694	9,152 298
Commercial	13,144 527	5 824,190
State	4,448,115	832 027
Other	4,796 250	11 925,722
<b>Total Assessment Rates</b>	<b>36,309,586</b>	<b>27,734,237</b>

### Valuations

	July 2010 R000's	July 2009 R000's
Residential	2,309 999	3 055,253
Commercial	2,046,875	1 878 084
State	559,694	970,340
Municipal	221 591	249 778
Agriculture	4,577 226	4 161 309
Other		285,108
<b>Total Property valuations</b>	<b>10,215,385</b>	<b>10 599,872</b>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2008. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions. The same rate is applied on different categories of property and improvement valuations to determine assessment rates. Rebates are granted on various categories of properties. Interest at prime rate plus 1% is levied on outstanding rates and the prime rate of ABSA applies.

## 18 SERVICE CHARGES

Sale of water	0	0
Sewer charges	0	0
Sale of electricity	201,348,457	169 473 531
Refuse removal	17,310 373	14 290 314
Effluent charges	16 292	231 015
Other	1 085 614	1 499 202
<b>Total Service Charges</b>	<b>219,760,736</b>	<b>185,593,762</b>

## 19 GOVERNMENT GRANTS AND SUBSIDIES

Free Basic Water	0	0
National MSG		
Provincial Local Government	9,733,701	93 636
Private Sector		173 236
Development Bank of SA		624 774
Finance Management Grant	1,471 922	969 701
Equity share	121,186 930	93 728,574
SETA	25,916	126 234
MIG	42 845 046	21 310 736
Grant Department of Trade & Mineral		2 994 385
National Electrification Grant	3 510 601	1 611 453
	<b>178,774,116</b>	<b>121,498,729</b>

**Free Basic Water**

Balance unspent at beginning of year

Current year receipts

Transfers

Conditions met - transferred to revenue

Conditions still to be met - transferred to liabilities

00

This Grant is used to alleviate poverty and ensure that services are rendered to the community and that no one is denied access to water supply because they are unable to pay. The fund helps with providing free basic water equivalent to 12 kiloliters free per month.

**Provincial Local Government**

Balance unspent at beginning of year

-690,329

596 693

Current year receipts

690 329

Conditions met - transferred to revenue

-93,636

Conditions still to be met - transferred to liabilities

0-690,329

The funds are used to provide services such as upgrading of sporting facilities, Cattle Pounding, PHP Housing Projects and Fruit and nuts.

**Drought Relief Programme**

Balance unspent at beginning of year

30 702

30 702

Current year receipts

Conditions met - transferred to revenue

30,70230,702

Conditions still to be met - transferred to liabilities

The grant is targeting communities without primary potable water mainly attributed by drought. The aim is to provide primary water to a minimum of 25lit per day in the proposed area.

**MFMG**

Balance unspent at beginning of year

739,303

1 209 004

Current year receipts

750,000

500 000

Conditions met - transferred to revenue

-1 471,922

-969 701

Conditions still to be met - transferred to liabilities

17,381739,303

MFMG funds are used to facilitate GRAP and MFMA To capacitate employees by having programmes such as The Municipal Finance Management Internship Programme.

**Equitable Share**

In terms of the constitution this is an unconditional grant used to subsidise the provision of basic services to the indigent community households.

**SETA**

Balance unspent at beginning of year

1,413,958

1 195 999

Current year receipts

0

344 193

Transfers

-344 193

Conditions met - transferred to revenue

-25 916

-126 234

Conditions still to be met - transferred to liabilities

1,043,8491,413,958

The grant is used to pay for training courses. It supplement augment the funds on the training vote. It is used to set off the primary and secondary skills development facilitators when they are out of the office on skills development related matters.

**MIG Grant**

Balance unspent at beginning of year

5 934,261

7 333 997

Current year receipts

48,967,365

19 341 000

Conditions met - transferred to revenue

-42,845 046

21 340 736

Conditions still to be met - transferred to liabilities

12,056,5805,934,261

MIG Funds are used to upgrade and build new infrastructure up to a basic level of service as well as to rehabilitate existing infrastructure for the poorest of the poor.

**Department of Trade & Mineral**

Balance unspent at beginning of year	2 722,388	-76 458
Current year receipts	1 253 622	5 693 231
Conditions met - transferred to revenue	-3 232,963	-2,894 385
Conditions still to be met - transferred to liabilities	<u>743,047</u>	<u>2,722,388</u>

The main aim of this grant was to supply the farmers/workers, with electricity and the funds were used for the electrification of the farmers houses (the workers house) within the GTM these was according to the DME (Department of minerals and Energy standards)

**National Electrification Grant**

Balance unspent at beginning of year	13,598,480	1 117 933
Current year receipts	8,332,000	14 098 000
Conditions met - transferred to revenue	-3 510,601	-1 617 453
Conditions still to be met - transferred to liabilities	<u>18,419,879</u>	<u>13,598,480</u>

The grant was used for electrification of farm labour housing and schools

**Community Based Projects**

Balance unspent at beginning of year	413,430	415 325
Current year receipts		
Conditions met - transferred to revenue		
Conditions still to be met - transferred to liabilities	<u>413,430</u>	<u>415,325</u>

The funds were used for the training of lead facilitators, ward based facilitators and lastly community based projects roll out to the wards. This process took place from December 2003 until to date

**Umsombovu Youth Fund**

Balance unspent at beginning of year	9 808	60 978
Current year receipts	39,960	
Conditions met - transferred to revenue		-51 170
Conditions still to be met - transferred to liabilities	<u>49,768</u>	<u>9,808</u>

The funds are used for the lunching of the project, also to pay for the insurance and the graduation of the Youth that are in the project

**EU GRANT****FRUIT & NUT CLUSTER**

Balance unspent at beginning of year	-992,582	-367 808
Current year receipts	297 057	-624,774
Conditions met - transferred to revenue		
Conditions still to be met - transferred to liabilities	<u>-695,525</u>	<u>-992,582</u>

This grant was used for a hawkers feasibility study

**NEIGHBOURHOOD GRANT**

Balance unspent at beginning of year	3 000,000	
Current year receipts	6,033,324	3 000 000
Conditions met - transferred to revenue	-5 842 843	
Conditions still to be met - transferred to liabilities	<u>3,190,481</u>	<u>3,000,000</u>

These funds were used to embellish the entrances of various towns and villages

**CLEANEST TOWN**

Balance unspent at beginning of year	150 766	150 766
Current year receipts	300 000	
Conditions met - transferred to revenue		
Conditions still to be met - transferred to liabilities	<u>450,766</u>	<u>150,766</u>

Funds received through the greenest town competition were used to provide schools in villages with refuse removal skips

**MSIG - ESTABLISHMENT GRANT**

Balance unspent at beginning of year	406,490	4 595
Current year receipts	400,000	400 000
Conditions met - transferred to revenue	<u>-657 895</u>	
Conditions still to be met - transferred to liabilities	<u>148,595</u>	<u>404,595</u>

**CATTLE POUND**

Balance unspent at beginning of year	-24,313	-24 313
Current year receipts	24 313	
Conditions met - transferred to revenue		
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>-24,313</u>

This grant was used for the establishment and maintenance of a cattle pound

**UPGRADING SPORT FACILITIES**

Balance unspent at beginning of year	100,622	152 687
Current year receipts		
Conditions met - transferred to revenue		-52 066
Conditions still to be met - transferred to liabilities	<u>100,622</u>	<u>100,622</u>

This grant was used to upgrade sport facilities in towns and villages

**CHANGES IN LEVELS OF GOVERNMENT GRANTS**

2010  
R

2009  
R

Based on the allocation set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years

**20 OTHER INCOME**

Sale of investment properties	0	18 594
Insurance claims	1,818,071	645 809
Valuation certificates	20,169	
Other income	9,697 093	2 764 101
Non Refundable deposits	<u>137,942</u>	
Total other Income	<u>11,673,275</u>	<u>3,428,504</u>

**21 EMPLOYEE RELATED COSTS**

Employee related costs - Salaries and Wages	92,953,742	78 552,358
Employee related costs - Social contributions	49,639,768	16 346 008
Travel allowance	4,076,389	3,709 400
Housing allowance	879,540	758,164
Overtime payments	6,381,725	6,158 074
Performance bonus	636,482	2 670,935
Long service awards	0	0
Less Employee costs capitalised to Property Plant and Eq	0	0
Less Employee costs included in other expenses	<u>52,152,533</u>	<u>16 362 975</u>
Total Employee Related Costs	<u>102,415,113</u>	<u>62,431,964</u>

There were no advances to employees

**Remuneration of the Municipal Manager**

Annual Remuneration	971 114	916 029
Performance Bonuses	<u>140,541</u>	<u>37 590</u>
Total	<u>1,111,655</u>	<u>953,619</u>

**Remuneration of the Chief Finance Officer**

Annual Remuneration	416,972	764 491
Performance Bonuses		55 337
Total	<u>416,972</u>	<u>819,828</u>

<i>Remuneration of Individual Managers</i>	Technical Services	Corporate Services	Community Services
30 June 2010	R	R	R
Annual Remuneration	1 231 437	446,755	1 429,618
Performance Bonuses	163,133		576 926
<b>Total</b>	<b>1,394,570</b>	<b>446,755</b>	<b>2,006,544</b>

<i>Remuneration of Individual Managers</i>	Technical Services	Corporate Services	Community Services
30 June 2009	R	R	R
Annual Remuneration	1 319 398	703 995	2 438 386
Performance Bonuses	43 831	55 337	72 855
<b>Total</b>	<b>1,363,229</b>	<b>759,332</b>	<b>2,511,241</b>

## 22 REMUNERATION OF COUNCILLORS

	2010	2009
	R	R
Mayor	593 375	571 982
Councillors Allowances	10,141,448	9 739 429
Executive Committee Allowances	1 253,539	1 160 803
Speaker Allowances	482,036	464 441
Full Time Councillors	2,253 034	2 171 766
Medical Fund Contributions		
	<b>14,723,432</b>	<b>14,108,421</b>

### *In-kind Benefits*

The Mayor, Speaker and five Councillor are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor has one full-time Secretary and one pa

## 23 Repairs & Maintenance

Machinery & Equipment	202,303	199 801
Lawnmowers	2,617 817	2 244 161
Distribution Networks	20,347,611	18 145,020
Stormwater Drainage & Bridges	6,092,803	6 565 501
Tarred Roads	9 041 234	7 618 640
Gravel Roads	6,997,831	8 082 981
Sidewalks & Pavements	3,727 511	3 652 569
Streetlights	667 099	729 655
Council-Owned Land	6,765 532	6 303 392
Council-Owned Buildings	6 647 210	5 335 936
Council-Owned Vehicles	12 895,803	11 867 329
Non-Council-Owned Assets - Contractors	293 666	163 363
Others	1 244 860	1 613 180
<b>Total Repairs &amp; Maintenance</b>	<b>77,541,280</b>	<b>68,921,528</b>

## 24 INTEREST ON EXTERNAL BORROWINGS

Long term liabilities	7 096 748	7 060 581
Finance leases		1 736 529
Bank overdrafts		335 115
<b>Total Interest on External Borrowings</b>	<b>7,096,748</b>	<b>9,182,225</b>

## 25 BULK PURCHASES

	2010	2009
	R	R
Water	0	0
Electricity	125 623,411	93 161 971
<b>Total Bulk Purchases</b>	<b>125,623,411</b>	<b>93,161,971</b>

**26 CONTRACTED SERVICES**

Contracted services for		
Information Technology	1,763,705	1 741 790
Meter reading	1,726,659	1 970,115
Security Services	4,130,062	3 496 413
Refuse removal	12,061,901	5 259 030
Cleaning Services	4,457,715	6 608 981
Valuation roll	896,790	610 607
Town Planning	10,482	82 190
Aerodrum	170,141	167,678
GTM Agency Services	0	
Water Supply	0	0
	<u>25,217,455</u>	<u>19,936,804</u>

**27 GRANTS & SUBSIDIES PAID**

Sport Council	106,644	106,644
SPCA	37,770	37 770
Mayor Special Account	35,508	65,840
Mayor Bursary Account	26,214	144 465
Eskom EBSST	3,032,696	3 777 432
NDPG	5,842,843	
Seta (Training)	25,916	126 234
Department of Trade & Minerals	3,232,963	2 994,385
PHH	0	93,636
Other grants	19,932,050	3 844,102
	<u>32,272,604</u>	<u>10,190,508</u>

**28 GENERAL EXPENDITURE**

	2010	2009
	R	R
Auditors Fees	1,600,000	1 743 823
Consumable Domestic Items	452,280	163 430
Fuel - Vehicles	2,723,847	3 368 556
Insurance	3,791,769	3,548,843
Insurance Claims Own Expenditure	3,854,695	5 510 903
Leases - Photocopiers	-289,540	855 829
Membership Fees - Sanga	1 008,404	424 776
Non-Capital Tools & Equipment	338,756	350 169
Postage & Courier Fees	811 943	693 909
Printing & Stationery	1,250,829	973 735
Protona Share - Drivers Licence Fee	2,118,307	
Protective Clothing	486,891	432,334
Provincial Share - Vehicle Licence Fee		
Public Education And Training	151 949	197 897
Rent - Telephone Exchange	949,686	620,431
Rental Computer	693,181	197 552
Subsistence & Travelling Expenses	1,648 817	1 831 753
Telephone	1,556,103	1 144 671
Training Costs	613,307	777 687
Others	9,605,469	2 966,766
Total General Expenses	<u>33,366,693</u>	<u>26,103,064</u>

**30 CORRECTION OF PRIOR PERIOD ERRORS**

During the year ended 30 June 2010 the take-on balance of the finance lease was restated. The comparative amount has been restated as follows:

Correction of finance lease liability attributed to the 2009 Financial Year	<u>4,936,688</u>
---	------------------

During the year ended 30 June 2010 all assets of the municipality were unbundled, verified and the take-on balances were restated which resulted in an increase in the carrying value. The comparative amounts have been restated as follows:

Correction of PPE attributed to the 2008 Financial Year	<u>1,509,063,307</u>
Correction of PPE attributed to the 2009 Financial Year	<u>1,467,753,005</u>

**31 GAIN / (LOSS) ON SALE OF ASSETS**

Property plant and equipment	440 920	0
Other financial assets		
<b>Total Gain / (Loss) on sale of assets</b>	<b>440,920</b>	<b>0</b>

**32 CASH GENERATED BY OPERATIONS**

Net surplus for the year	-67,134,251	25 606 746
Adjustments for		
Depreciation	88,045,172	16 370 693
Gain on disposa. of property plant & equipment	11,998,222	
Contributions to Provisions - non-current	31,061,349	1 962 096
Contributions to Provisions current	652,192	2 017 302
Transfers	4,992,835	10 401 676
Interest received	-11,332,815	-9 683 754
Interest Paid	7,096,748	9 182 224
<b>Operational surplus before working capital changes</b>	<b>65,379,452</b>	<b>55,856,983</b>
Increase in inventories	-407,283	-1 397 885
Increase in Debtors	69,396	11 492 475
Decrease in other debtors	-27,081,729	-32 930 139
Increase in Conditional Grants	-5,135,040	15 906 844
Increase in Creditors	31,812,545	21 818,388
<b>Cash generated by operations</b>	<b>64,637,341</b>	<b>70,746,696</b>

**33 CASH AND CASH EQUIVALENTS**

	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
Balance at the end of the year	-4 159 424	257 085
Balance at the beginning of the year	257,085	12,895 065
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>-4,416,509</b>	<b>13,152,150</b>

**34 UTILISATION ON LONG-TERM LIABILITIES RECONCILIATION**

Long term liabilities	48,049 588	45 171 402
Used to finance property Plant and equipment		15 000 000
<b>Sub-Total</b>	<b>48,049,588</b>	<b>30 171 402</b>
Cash set aside for the repayment of loans		
Cash invested for repayment of loans	1 809,149	15,000 000
<b>Cash invested for repayment of external loans</b>	<b>49,858,737</b>	<b>45,171,402</b>

External loans have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that external loans can be repaid on redemption date. See note 1 for more detail.

**35 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED****Unauthorised expenditure**

Reconciliation of unauthorised expenditure	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
Opening Balance	26 812 982	0
Unauthorised expenditure for the year		26 812 982
Approved by council	-5,135 040	
<b>Closing balance</b>	<b>21,677,942</b>	<b>26,812,982</b>

**Incident**

None

**Disciplinary steps / Criminal proceedings**

None



Irregular fruitless and wasteful expenditure	2010	2009
	R	R

#### Reconciliation of fruitless and wasteful expenditure

Opening balance		
Fruitless and wasteful expenditure		
Interest charged		
Penalties charged		
Salaries - Once-off payments		
S Mokhasoa	0	1 117 228
V Maake	0	1 742,421
Loss of cash due to fraud	0	914 682
Transfer to Statement of Financial Performance	0	-3 774 331
Closing balance	<u>0</u>	<u>0</u>

#### Incident

Payments relate to once-off payments made to employees that were dismissed during the year

Loss of cash was due to fraud identified during the year. A forensic audit relating to the fraud identified was carried out.

#### Disciplinary steps / Criminal proceedings

The municipality is in the process of instituting criminal proceedings against the accused parties.

Reconciliation of irregular expenditure	2010	2009
	R	R

Opening balance		
Irregular expenditure		
Transfer to Statement of Financial Performance		
Closing balance	<u>0</u>	<u>0</u>

#### Incident

Cash received to fund conditional grants were utilised for the municipality's operations.

#### Disciplinary steps / Criminal proceedings

None

### 36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

#### Contributions to SALGA

Opening balance	0	0
Council subscriptions	1 008,404	424 776
Amount paid - current year	-1 008,404	424 776
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

#### Audit Fees

Opening balance	0	0
Current year audit fee	1 600,000	1 743 823
Amount paid - Current year	-1 600 000	-1 743 823
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

VAT	2010	2009
	R	R

VAT is shown in notes 8. All VAT returns have been submitted by the due date throughout the year.

#### PAYE AND UIF

Opening balance	0	0
Current year payroll deductions	19,252,675	19 144 859
Amount paid - current year	-19 252,675	19 144 859
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

### Pension and Medical Aid Deductions

Opening balance	0	0
Current year payroll deductions and Control Contributions	27 785 016	25 040 897
Amount paid - Current year	-27 785 016	-25 040 897
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>

The balance represents pension and medical aid contributions deducted from employees in the June 2010 payroll as well as Council's contribution to pension and medical aid funds. These amounts were paid during July 2010.

### Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at

30th June 2010

	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
Councillor WM Mogoboya	149	149	
<b>Total Councillor Arrear Consumer Account</b>	<b>149</b>	<b>149</b>	<b>0</b>

30th June 2009

	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
Councillor G Baoyi	493	0	493
Councillor WM Mogoboya	587	423	164
<b>Total Councillor Arrear Consumer Account</b>	<b>1,080</b>	<b>423</b>	<b>657</b>

During the Year the following Councillors had arrear accounts outstanding for more than 90 days

30th June 2010

	Highest Amount Outstanding R	Ageing
Councillor (No councillor outstanding more than 90 days)		R 120 Days

30th June 2009

	Highest Amount Outstanding	Ageing
Councillor G Baoyi	493	120 Days
Councillor WM Mogoboya	47	120 Days

### 37 NON-COMPLIANCE WITH CHAPTER 11 OF THE MUNICIPAL FINANCE MANAGEMENT ACT

Refer to Schedule 1 attached

### 38 CAPITAL COMMITMENTS

	2010 R	2009 R
Commitments in respect of capital expenditure		
- Approved and contracted for	0	0
Infrastructure		
Community		
Heritage		
Other		
Financial Development Fund		
Investment properties		

- Approved but not yet contracted for infrastructure	120,662,736	155,540,000
Community heritage	93,140,000	142,276,355
Other Housing Development Fund investment Properties	12,897,050	12,263,645
	14,625,686	1,000,000
<b>Total</b>	<b>120,662,736</b>	<b>155,540,000</b>
This expenditure will be financed from		
- Internal Advances	15,000,000	20,000,000
- External Loans	43,765,686	75,000,000
- Capital Replacement Reserve		
- Government Grants	61,897,050	25,829,000
- Electronic Project Grant		
- M/G Grants		0
	<b>120,662,736</b>	<b>120,829,000</b>

### 39 RETIREMENT BENEFIT INFORMATION

#### Joint Municipal Pension Fund

The last valuations of the Joint Municipal Pension Fund was done on 30 September 2009

The results of the valuation, with provision for some future pension increases, are as follows

Actuarial Valuation	2009 R'000	2008 R'000
Actuarial value of Assets	1,942,228	2,201,405
Total accrued liabilities	1,794,944	1,779,695
Solvency reserve	147,284	339,579
Surplus / (Deficit)	<u>0</u>	<u>82,131</u>
Funding level (including solvency)	100.0%	
Funding level (excluding solvency)	108.2%	

#### Municipal Employees Gratuity Fund

The last valuation of the Municipal Employees Gratuity Fund was done on 30 June 2009

Actuarial Valuation	2009 R'000	2008 R'000
Share account	8,074,049	7,388,316
Reserve Account	174,719	118,050
Value of Fund 30 June 2007	<u>8,248,768</u>	<u>8,104,366</u>

The fund is financially sound for the requirements of the Pension Fund Act

#### Municipal Employees Pension Fund

The last valuation of the MEPF was done on 29 February 2008

Actuarial Valuation	29/02/2008 R'000	28/02/2005 R'000
Assets	5,715,557	3,046,791
Liabilities	4,900,548	2,654,108
Contingency Reserves	382,289	196,571
Surplus/Deficit	<u>432,720</u>	<u>196,112</u>

This represents a funding level of 108.2%

#### Imatu Retirement Fund

The above mentioned fund is a defined contribution fund and according to regulation 2 of the Pension Fund of 1956 exempt from the provisions of sections 9A and 16 of the Act

40 CONTINGENT LIABILITY	2010	2009
	R	R
Paper guarantees housing loan ABSA)	<u>1,000,000</u>	<u>1,000,000</u>
A paper guaranty of R1 million has been negotiated with ABSA on behalf of officials in respect of housing loans. No collateral is needed by ABSA on housing loans.		
The municipality is being sued by a member of the public for R708 446 78 for unlawful arrest, detained, assaulted and publicly degraded by a Traffic Officer	<u>708,446</u>	<u>708,446</u>
The Municipality is being sued by 2 members of the public Helen Maimela for R100 000 each for unlawful prosecution by our traffic department	<u>200,000</u>	<u>200,000</u>

#### 41 RELATED PARTIES

Refer to Schedule 2 attached

#### 42 FINANCIAL INSTRUMENTS

The main risks of the Municipality are interest rate risk, liquidity risk, credit risk and the fair value of financial instruments.

##### Interest rate risk

The Municipality is exposed to interest rate risk on its investments and long term borrowings.

This risk is managed by investing in investments with different maturity dates. This enables the Municipality to re-allocate some of the investments in the event of major fluctuations in the interest rates. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings at fixed rates expose the municipality to fair value interest rate risk.

##### Currency risk

The Municipality does not have currency risk as in terms of section 163 of the Municipal Finance Management Act No 56 of 2003, no municipality may incur a liability or risk payable in a foreign currency.

##### Liquidity risk

The Municipality's risk to liquidity is a result of the funds available to cover future commitments. The Municipality's policy on counterpart credit exposures ensures that only counterparties of a high credit standing are used for the investments of any excess cash.

##### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limited exposure to any one counter-party.

The utilisation of credit limits is regularly monitored

Financial assets exposed to credit risk at year end were as follows

Long term liabilities - ABSA	-11 600 000	-11 600 000
Long term liabilities - INCA	-21 357 971	-22 711 993
Long term liabilities - DBSA	91 617	10 359 409
Local registered stock - DBSA	-15 000 000	
Finance lease liability	4 469 350	1 092 188
Investments - BOE	16 118 386	14 509 615
Investments - Liberty	1 809 149	11 355 734
Non-current receivables	2 456 610	441 244
Trade and other receivables	38 634 477	38 703 873
Other receivables	70 439 627	43 357 898
Cash and cash equivalents	-4 159 424	257 085
Trade and other payables	90 251 762	66 335 840
Consumer deposits	6 658 556	6 152,859
VAT payable	6 232 587	1 664 036
Unspent conditional grants and receipts	-21 677 942	-26 812 982
	<b>-38,723,848</b>	<b>-33,091,410</b>

These balances represent the maximum exposure to credit risk

#### Counterparties

The Municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty. The Municipality has no significant concentration of credit risk with any single counterparty or a group of counterparties.

#### 43 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure E(1) and E(2)

#### 44 GOING CONCERN

The following factors were noted by

Current liabilities exceeded current assets by R 35 635 220 at 30 June 2010

Grant monies received appear to have been utilized to fund operational expenditure

Debt collection, cash management and expenditure management was overseen by management in line with the financial recovery plan implemented in the previous financial period. Management is of the opinion that this plan adequately mitigates the going concern risk.

**GREATER TZANEEN MUNICIPALITY**  
Annual Financial Statements for the year ended 30 June 2010

**SCHEDULE 1**

**Deviations of supply chain management processes**

Description of bids	Bid number	Relevant Section	BLC recommendation	BAC recommendation	Awarded to	Amount of award
EXTENSION: All the extensions are attached.						
DEVIATION: 1) Sound, stage and screen for public viewing area at Nkowanikwa Stadium	Quotation	PED	N/A	N/A	Blue Randrop	R 729,400.00
DEVIATION: 2) Promotion materials for public viewing area at Nkowanikwa Stadium (FIFA WORLD CUP)	Quotation	PFD	N/A	N/A	LEBP Printers	R 251,598.00
DEVIATION: 3) Promotion materials for public viewing area at Nkowanikwa Stadium (FIFA WORLD CUP)	Quotation	Pt D	N/A	N/A	Manuma Promotions	R 729,949.40

GREATER TZANEEN MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2010

SCHEDULE 2

RELATED PARTIES

Related party transactions awarded to  
Councillors or Officials in service of State

Name of person	Capacity in which person is in service	Successful tenderer	Contract No	Amount of award
MS Maluleke	Law enforcement Officer	Universal Vision Building Construction Business Enterprise		R 27,875
JH Nkwini	Councillor Chief Whip	Vhila Vhila Construction		R 770,748

**APPENDIX A**  
**GREATER TZANEEN MUNICIPALITY**

**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010**

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30-06-2008	Received during the period	Redeemed written off during the period	Balance at 30-06-2009	Carrying Value of Property Plant & Equip	Other Costs in accordance with the MFMA
LONG-TERM LOANS								
DBSA		2009	10,292,000					
DBSA			0	15,000,000	10,292,000	15,000,000		
TOTAL LONG-TERM LOANS			10,292,000	15,000,000	10,292,000	15,000,000	0	0
ANNUITY LOAN			23,279,402		1,829,814	21,449,588		
TOTAL ANNUITY LOANS			23,279,402		1,829,814	21,449,588	0	0
SINKING FUND ABSA			11,600,000			11,600,000		
TOTAL SINKING FUND			11,600,000	0	0	11,600,000	0	0
TOTAL EXTERNAL LOANS			45,171,402	15,000,000	12,121,814	48,049,588	0	0



# Appendix B Greater Izaneen Municipality

Analysis of Property Plant and Equipment as at 30 June 2010

	Opening Balance	YTD Depreciations	Disposals	Transferred Out	Closing Balance	NBV
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## Community Assets

	Opening Balance	YTD Depreciations	Disposals	Transferred Out	Closing Balance	NBV
Buildings	1,905,113	0.00	47,465.13	0.00	1,857,647.87	1,857,647.87
Land & Buildings	75,751.4	37,774.13	0.00	0.00	113,525.53	3,388,371.94
Library	0.00	0.00	0.00	0.00	0.00	2,010,300.00
Municipal Offices	707,412.06	79,931.25	0.00	0.00	787,343.31	7,449,057.11
Parks	1,878,850.16	79,556.37	0.00	0.00	1,958,406.53	1,559,291.86
Recreational facilities	60,123.20	79,979.47	0.00	0.00	140,102.67	1,209,897.33
Sport fields	447,717.86	273,347.07	0.00	0.00	721,064.93	7,654,233.11
Traffic Centre	1,585,849.76	751,860.21	0.00	0.00	2,337,709.97	6,058,736.93
Sub Total	17,413,346	1,157,766	0.00	0.00	18,571,112	84,337,876
	9,430,383.44	2,065,966.45	40,465.13	0.00	11,449,884.76	60,979,668.16

## Infrastructure

	Opening Balance	YTD Depreciations	Disposals	Transferred Out	Closing Balance	NBV
Electricity	0.00	6.30	0.00	0.00	6.30	0.00
Land & Buildings	61,547,668.57	30,690,146.48	0.00	0.00	92,237,815.05	656,637,886.14
Refuse sites	2,413,287.60	1,203,783.80	0.00	0.00	3,617,071.41	11,035,295.11
Roads	282,174.86	611,315.75	0.00	0.00	893,490.61	14,515,385.61
Roofs & pavements	95,173,373.1	47,871,218.77	170,000.00	0.00	142,974,591.88	634,371,942.04
Solid Waste	0.00	0.00	0.00	0.00	0.00	0.00
Traffic (R)	46,351.53	75,102.47	0.00	0.00	121,454.00	1,814,556.01
Sub Total	159,957,884.68	80,349,731.87	170,000.00	0.00	240,187,566.55	1,318,652,836.22

## Investment Properties

	Opening Balance	YTD Depreciations	Disposals	Transferred Out	Closing Balance	NBV
Land	0.00	0.00	0.00	0.00	0.00	0.00
Sub Total	0.00	0.00	0.00	0.00	0.00	0.00
Land	0.00	0.00	0.00	0.00	0.00	0.00
Sub Total	0.00	0.00	0.00	0.00	0.00	0.00
Other Assets	0.00	0.00	0.00	0.00	0.00	0.00



## Appendix C

### Greater Tzaneen Municipality

Segmental Analysis of Property Plant And Equipment as at 30 June 2010

Categories	Cost						Depreciation				NBV
	Opening Balance	Additions	Disposals - FMV	Disposals	Transferred Out	Closing Balance	YTD Depreciations	Disposals	Transferred Out	Closing Balance	
Community & Social Services	7,968,251.95	0.00	63,139.13	474,998.31	1,055.99	7,555,336.77	514,526.82	471,236.80	111.22	1,655,230.88	5,888,807.89
Electricity	752,116,187.57	2,122,324.57	112,108.19	3,364,653.41	5,806.40	750,980,160.51	31,045,735.31	2,977,416.50	1,062.48	93,326,690.97	657,653,509.54
Executive & Council	3,482,401.06	0.00	0.00	7,644.00	0.00	3,474,757.06	184,768.14	7,644.00	0.00	555,372.56	2,919,384.50
Finance & Admin	11,451,105.06	8,392,401.55	1,041,798.49	5,314,651.03	56,257.85	15,514,396.22	1,544,165.71	5,292,171.31	10,171.68	3,423,313.75	12,091,082.47
Health	136,182.12	0.00	0.00	13,400.95	0.00	122,781.17	12,904.16	13,400.95	0.00	32,489.89	90,311.28
Housing	39,061,477.51	0.00	1,774.08	411,259.20	0.00	38,651,992.39	2,302,608.84	411,259.20	0.00	6,918,903.29	31,733,089.10
Planning & Development	46,481,672.26	0.00	29,881.64	21,906.68	0.00	46,489,647.22	18,650.89	21,906.68	0.00	54,027.54	46,435,619.68
Public Safety	2,699,268.47	731,704.28	896,976.40	941,132.73	0.00	3,386,816.41	352,493.38	917,871.07	0.00	530,115.41	2,856,701.00
Road Transport	688,744,138.15	69,156,776.86	88,498.84	598,651.27	1,655.14	757,369,107.44	48,946,016.71	598,651.27	165.40	147,742,699.38	809,646,408.06
Sports & Recreation	57,246,305.49	0.00	0.00	170,766.35	0.00	57,075,539.14	1,506,732.80	168,676.41	0.00	4,536,404.25	52,539,134.89
Waste Management	28,733,325.67	1,815,567.01	105,222.49	172,484.62	999.00	30,480,641.55	1,601,652.69	170,374.68	99.83	3,260,155.32	27,220,486.24
Water	156,678.02	0.00	88,000.00	0.00	0.00	244,678.02	26,657.66	0.00	0.00	83,378.25	161,299.77
<b>Grand Total</b>	<b>1,638,276,953.31</b>	<b>82,218,764.28</b>	<b>2,427,399.25</b>	<b>11,491,528.55</b>	<b>65,774.39</b>	<b>1,711,365,853.89</b>	<b>88,056,932.92</b>	<b>11,050,608.87</b>	<b>11,610.62</b>	<b>262,118,721.48</b>	<b>1,449,245,834.41</b>

# APPENDIX D

## GREATER TZANEEN MUNICIPALITY

30 JUNE 2010

### SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED

2009 ACTUAL INCOME R	2009 ACTUAL EXPENDITURE R	2,009 SURPLUS/ (DEFICIT) R	2009 ACTUAL INCOME R	2010 ACTUAL EXPENDITURE R	2010 SURPLUS/ (DEFICIT) R
138,111	4,204,820	-4,066,709	Community & Social Services		
171,090,319	156,141,001	14,949,318	Electricity	4,995,602	-4,872,279
15,771,282	19,359,680	-3,588,398	Executive & Council	211,411,984	7,351,169
138,951,654	64,743,323	74,208,331	Finance & Admin	22,160,901	-2,927,958
32,826	4,406,766	-4,373,940	Health	100,173,002	77,686,464
6,827,969	6,115,586	712,383	Housing	4,731,684	-4,719,621
13,203,246	12,503,329	699,917	Planning & Development	6,462,821	1,466,642
1,032,009	12,069,205	-11,037,196	Public Safety	21,488,556	1,355,888
52,854,534	65,047,730	-12,193,196	Road Transport	13,986,654	-12,571,349
17,632	10,372,360	-10,354,728	Sport & Recreation	69,546,317	-7,341,577
0	3,082,854	-3,082,854	Waste Management	12,402,182	-12,377,655
14,290,014	30,556,196	-16,266,182	Waste Water Management	2,875,474	-2,875,474
		0	Water	50,836,195	-25,527,912
		0	Other	0	0
414,209,596	388,602,850	25,606,746	Sub Total	521,071,372	14,646,338
			Less Inter-Dep Charges		
414,209,596	388,602,850	25,606,746	Total	521,071,372	14,646,338

# APPENDIX E(1)

## GREATER TZANEEN MUNICIPALITY

### ACTUAL VERSES BUDGET FOR THE YEAR ENDED 30 JUNE 2010

	2010 ACTUAL (R)	2010 BUDGET (R)	2010 VARIANCE (R)	2010 VARIANCE (%)	EXPLANATION OF SIGNIFICANT VARIANCES GREATER THAN 10% VERSUS BUDGET
<b>REVENUE</b>					
Property rates	36,309,586	51,760,175	15,450,589	42.55%	
Property rates - Penalties imposed and collection charges	2,902,462	1,500,000	-1,402,462	-48.32%	
Service charges	219,760,736	238,734,631	18,973,895	8.63%	
Rental of facilities and equipment	1,072,738	458,914	-613,824	-57.22%	
Interest earned - external investments	2,144,782	1,650,000	-494,782	-23.07%	
Interest earned - outstanding debtors	9,188,053	6,000,000	-3,188,053	-34.70%	
Fines	882,821	730,707	-152,114	-15.31%	
Licences and permits	376,846	226,375	-150,471	-39.93%	
Income for agency services	10,307,858	32,743,425	22,435,567	217.65%	
Government grants and subsidies	178,774,116	185,901,761	7,127,645	3.99%	
Other Income	11,673,275	1,074,185	-10,599,090	-90.80%	
Public contributions, donated/contributed PPE	0	0	0	0.00%	
Gains on disposal of property, plant and equipment	0	1,500,000	1,500,000	0.00%	
<b>Operating Income generated</b>	<b>473,373,253</b>	<b>522,280,173</b>	<b>48,906,920</b>	<b>10.33%</b>	
<b>Less Income Foregone</b>		<b>5,578,983</b>	<b>5,578,983</b>	<b>0.00%</b>	
<b>Total Operating Income</b>	<b>473,373,253</b>	<b>516,701,190</b>		<b>9.15%</b>	
<b>EXPENDITURE</b>					
Employee related costs	102,415,113	69,352,038	-33,063,075	-32.28%	
Remuneration of Councillors	14,723,432	15,217,015	493,583	3.35%	
Bad debts	32,993,337	6,953,257	-26,040,080	-78.93%	
Collection costs	820,138	153,000	-667,138	-81.34%	
Loss on Inventory	-48,799	0	48,799	-100.00%	
Depreciation	6,284,584	16,857,478	10,592,894	169.09%	
Repairs and maintenance	77,541,280	77,570,079	28,799	0.04%	
Interest on external borrowings	7,096,748	10,035,554	2,938,806	41.41%	
Impairment of assets	0	0	0	0.00%	
Bulk purchases	125,623,411	135,385,537	9,762,126	7.77%	
Contracted services	25,217,455	23,288,787	-1,928,668	-7.65%	
Grants and subsidies paid	32,272,604	9,966,125	-22,306,479	-69.12%	
General expenses - other (including abnormal expenditure)	33,368,693	64,364,516	30,997,823	92.90%	
Contributions to/(transfers from) provisions			0	0.00%	
Loss on disposal of property, plant and equipment	440,920		-440,920	-100.00%	
Cash Requirement			0	0.00%	
<b>Total Expenditure</b>	<b>458,726,916</b>	<b>429,143,386</b>	<b>-29,583,530</b>	<b>-6.45%</b>	
<b>NET SURPLUS (DEFICIT) FOR THE YEAR</b>	<b>14,646,337</b>	<b>87,557,804</b>	<b>72,911,467</b>	<b>497.81%</b>	

MIG grants included in actual expenditure

**APPENDIX E(2)**  
**ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009**

	OPENING	ACTUAL	UNDER CONSTRUCTION	DISPOSALS	TOTAL	2009		2009 VARIANCE %	EXPLANATION OF SIGNIFICANT VARIANCES GREATER THAN 5% VERSUS BUDGET
						BUDGET	VARIANCE		
<b>Community &amp; Social Services</b>	<b>BALANCE</b>								
Electricity	7,968,252	0	63,139	476054	63,139		63,139	0%	
Executive & Council	752,116,188	2,122,325	112,108	3370460	2,234,433	11,601,000	-9,366,567	-81%	
Finance & Admin	3,482,401	0	0	7644	0		0	0%	
Health	11,451,105	8,392,402	1,041,798	5370909	9,434,200	860,000	8,574,200	997%	
Housing	136,182	0	0	13401	0		0	0%	
Planning & Development	39,061,478	0	1,774	411259	1,774		1,774	0%	
Public Safety	46,481,672	0	29,882	21907	29,882	500,000	-470,118	-94%	
Road Transport	2,699,268	731,704	896,976	941133	1,628,680		1,628,680	0%	
Sports & Recreation	688,743,988	69,156,777	88,499	600306	69,245,276	29,397,000	39,848,276	136%	
Waste Management	57,246,305	0	0	170766	0		0	0%	
Water	28,733,326	1,815,557	105,222	173464	1,920,779	12,247,000	-10,326,221	-84%	
	156,678	0	88,000	0	88,000		88,000	0%	
<b>TOTAL</b>	<b>1,638,276,843</b>	<b>82,218,765</b>	<b>2,427,398</b>	<b>11,557,303</b>	<b>84,646,163</b>	<b>54,605,000</b>	<b>30,041,163</b>		